



DEPARTMENT OF STATE INSTRUCTION

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No. CW-8335 April 17, 1962

COPY NO

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SUBJECT: The Vulnerability of the Soviet Bloc to a Complete Embargo on Exports from the NATO Countries and Japan.

TO: The American Embassy PARIS TOPOL

RPT: BERLIN(USBER), BONN, BUCHAREST, BUDAPEST, LONDON, MOSCOW, PRAGUE, ROME, SOFIA, TOKYO, WARSAW.

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herewith a copy

1. The Department is pouching to addressee posts/~~copies~~ of a study made by CIA at the Department's request of/vulnerability of the Soviet Bloc to complete embargo of exports from NATO countries and Japan. The Department believes the immediate result of the embargo would be to create/appreciable degree of confusion and disarray in Bloc planning and production which would unquestionably add to the present problems, e. g., allocation of resources. However, we also agree with the conclusion of the HXX study that the effect of an embargo would be basically minimal and that the Bloc, following an initial dislocation, (which would of course be of varying intensities by sector and area), could readjust to the trade and economic disruption from an embargo without serious difficulty. Although the psychological impact of an embargo would be likely to have some effect on Soviet leadership, we believe, in view of the conclusions of the report that the economic impact would be basically marginal and manageable, that on balance it would be counterproductive to submit the report to NATO members in support of economic countermeasures contingency planning. We arrive at this conclusion moreover from a realization that the distribution of the report to NATO members would provide authoritative United States documentation for the use of members in support of argumentation against the application of economic countermeasures.

2. In view of the present timing program for implementation of economic countermeasures, the foregoing of course is not intended to

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State Dept. review completed

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convey our conclusion that economic countermeasures should not be applied, or to suggest that the useful factual material in the report should not be drawn on as appropriate. In addition to the type of considerations dealt with in the CIA study, we continue to give overriding weight to political and tactical considerations related to the Berlin situation, and we are convinced that economic countermeasures represent a vital component of orchestrated measures in all fields, despite any technical judgment of the precise quantitative impact of the economic measures by themselves. Since it is not contemplated that economic measures be taken alone, the question of their exclusive impact, under present conditions, is not relevant.

3. The Department requests USRO's views following its consideration of the study. Other addressees' comments are invited.

4. The Department requests that all addressees regard the study as for their own internal use only, and should not discuss with NATO or other foreign representatives.

RUSK

Enclosure:

CIA/RR EP 62-13
and Appendix. (Paris Copy No. 35).

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